Government of Canada Gouvernement du Canada

Canada

Competition Bureau

Preventing Abuse of Market Power

Abuse of Market Power

The size of a business, even one that dominates a particular market, is not, of itself, a cause for concern. Businesses may need to become large to achieve lower production costs or to compete against foreign and domestic competitors. However, when a dominant company exploits its market power in a way that hurts competition in the marketplace the Competition Act may come into play.

The abuse of dominant position sections of the Competition Act may apply when all of the following criteria are met:

- The dominant firm or firms have market power — that is the ability to set prices above competitive levels.

- The dominant firm or firms engage in anti-competitive acts — business practices that are intended to reduce competition. These practices include: buying up a competitor's customers or suppliers; using "fighting brands" (discount brands) to discipline or keep out competitors; cutting off essential supplies to rival companies; using long-term contracts to stop customers from changing suppliers; and overstepping authority granted by intellectual property rights such as trade-marks and patents.

- The anti-competitive acts have substantially lessened competition, or are likely to do so. This can happen when anti-competitive acts eliminate a rival or prevent such things as a rival's entry into a market, potential competition, product innovation and lower prices.

The Act's abuse of dominant position sections do not penalize a company that has captured a dominant share of the market because of its better performance.

- Visit our **Abuse of Dominance** pamphlet for more useful information.

Abuse of Dominance

The abuse of dominance provision of the Competition Act seeks to prevent firms that dominate a market from engaging in anti-competitive acts that harm competitors, and thereby significantly lessen competition.

For more information

Exclusive Dealing, Tied Selling and Market Restrictions

These practices generally occur when a supplier places conditions on the supply of a product that constrain the customer in terms of, for example, what else the customer must buy to obtain supply, where the customer may subsequently market the product, or what other product lines the customer may or may not carry. These practices are not illegal in themselves, but may become a cause for concern if they are found to have caused, or be likely to cause, a substantial lessening of competition in a market.

For more information

Refusal to Deal

Refusal to Deal involves situations where a buyer cannot obtain supplies of an available product on usual trade terms and, as a result, is substantially affected in her or his ability to conduct business, resulting in an adverse effect on competition.

For more information

Price Maintenance

Price maintenance may occur when a supplier prevents a customer from selling a product below a minimum price by means of a threat, promise or agreement. It may also occur when a supplier refuses to supply a customer or otherwise discriminates against them because of their low pricing policy. Section 76 of the *Competition Act* deals with price maintenance.

For more information

Topics

- **Abuse of Dominance**
- **Exclusive Dealing, Tied Selling and Market Restrictions**
- **Refusal to Deal**
- **Price Maintenance**

Resources

- **Competition Issues in the Pharmaceutical Sector**
- **Gas Prices**
- **Related Announcements and Speeches**
- **Related Publications**
- **Related Links**